

1. VALUE ADDED TAX

❖ VAT declaration for branches

OL No. 89564/CT-TTHT date on 08 October 2020 issued by the Tax Department of Ha Noi guidance on VAT declaration for branches.

In case, the taxpayer has established an affiliate in another province, the affiliate should submit the VAT declaration to the direct management tax authority. If the affiliate does not operate a business, sell goods, and earn any revenue, the affiliate should declare VAT at the taxpayer's headquarter.

2. CORPORATE INCOME TAX

❖ Salary and other expenses arising by the affection of the COVID epidemic.

OL No. 89924/CT-TTHT dated on 09 October 2020 issued by the Tax Department of Ha Noi City guidance on salary and other expenses arising by effect of the COVID epidemic.

In case, the Company pays income with nature of salaries, wages, and other remuneration for employees to take leave during social distance due to the influence of Covid epidemic and other welfare direct to employees, these amounts should be considered as deductible expenses when determining taxable income according to Article 4 of Circular No. 96/2015/TT-BTC of the Ministry of Finance.

Currently, the Government has assigned the Ministry of Finance and relevant Ministries to develop a Decree to implement some of the contents specified in Period a, Point 1, Section II of Resolution No. 84/NQ-CP, including the contents related to the determination of deductible expenses when calculating CIT for the contributions and support in anti-COVID 19 epidemic activities.

3. IMPORT TAX AND EXPORT TAX

❖ Export goods to be re-imported

OL No. 10897/TXNK-CST date on 07 October 2020 issued by the Tax Department of Import and Export stipulated on export goods to be re-imported.

Any taxpayer who has paid the export tax then re-exports shall refund the export tax and not pay import tax if satisfying the condition of unused, unprocessed goods. Tax refund dossiers and procedures are specified in Article 33 of Decree No. 134/2016/ND-CP.

The goods re-imported for repair and then exported should be declared and paid export tax (if any) according to regulations.

Regarding the type code, in case the enterprise re-imports the export goods for repair (recycling) and then re-exports the same goods to the foreign customers, so the type code A31 will be applied when re-importing and code B13 when re-exporting.

4. FOREIGN CONTRACTOR TAX

❖ FCT on transfer of ownership in bonded warehouses

OL No. 85109/CT-TTHT date on 22 September 2020 by Tax Department of Ha Noi promulgates on FCT for transferring ownership at bonded warehouses.

Goods that are transited through the territory of Vietnam in accordance with the Laws are not subject to VAT as prescribed in Clause 20 Article 4 of Circular 219/2013/TT-BTC.

In cases, the foreign organizations and individuals use bonded warehouses or inland Container Depot (ICD) as warehouses to support international transport, transit, border transfer or storage goods, they are not subject to apply Circular No. 103/2014/TT-BTC guiding on implementing tax obligations of foreign organizations and individuals doing business in Vietnam or earning income in Vietnam. Foreign organizations and individuals (foreign contractors) that generated income from transferring ownership by transit through the

territory of Vietnam in accordance with the Laws are not subject to VAT and CIT of foreign contractors as prescribed in Clause 5 Article 2 of Circular 103/2014/TT-BTC.

5. INVOICE

❖ Decree No. 123/2020/ND-CP stipulated on invoices and documents takes effect from 1 July 2022

On 19 October 2020, the Government issued Decree No. 123/2020/ND-CP regulated on invoices and documents in which specifies clearly that the use of electronic invoices from 1 November 2020 is not required. Particularly:

Enterprises, economic organizations that have announced the issuance of order-to-printed, self-printed, electronic invoices without codes of tax agencies or have registered to apply electronic invoices with codes of tax agencies, have purchased invoices from the tax authority **before the issuance date of this Decree (19 October 2020) could continue using invoices until 30 June 2022.**

Decree No. 123/2020/ND-CP also stipulates 02 forms invoices includes electronic invoices and paper invoices.

- Electronic invoices include: value-added invoices; sale invoices; Public asset sale invoice; National reserve sales invoice; Other types of invoices.
- Paper invoices are printed by the tax authorities and issued to households and new established businesses.

❖ Decree No. 125/2020/ND-CP regulated the sanction on administrative violations of tax and invoices take effect from 5 December 2020

From 05 December 2020, Decree No. 125/2020/ND-CP will replace the current documents regulated the sanctions on administrative violations of tax and invoices. Some important points of Decree No. 125/2020/ND-CP are:

A. Increase penalties for acts of collusion, cover taxpayers evaded tax

- A fine ranging from VND 6,000,000 to VND 16,000,000 shall be imposed for colluding, covering up taxpayers to evade taxes or not implementing decisions on enforcement of tax administration, except for failure to transfer money from accounts of taxpayers specified in Article 18 of this Decree.
- A penalty is level applied to the organization. The penalty for individuals will be half of the penalty imposed on the organization.

B. Can be fined 3 times the amount of tax evasion from the first time evading tax

The sanction for 3 times of the evasion tax amount on a taxpayer commits one of the acts specified in Clause 1 of this Article with three or more aggravating circumstances.

C. There is a penalty for canceling or destroying overdue invoices

- A warning will be imposed for the act of canceling or destroying invoices overdue for 01 to 05 working days from the expiration date of canceling or destroying invoices according to regulations with mitigating circumstances.
- A fine from VND 2,000,000 to VND 4,000,000 will be imposed on the act of canceling or destroying invoices overdue for 01 to 10 working days from the expiration date of canceling or destroying invoices according to regulations.
- A fine from VND 4,000,000 to VND 8,000,000 will be imposed on the act of canceling or destroying invoices overdue for 11 or more working days from the expiration date of canceling or destroying invoices according to regulations.

Abbreviations	
OL Official Letter	CIT Corporate Income Tax
GDT General Department of Taxation	PIT Personal Income Tax
FCT Foreign Contractor Tax	VAT Value Added Tax

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This newsletter aims to update and summarize general regulations associated with tax, accounting, investment and labor in Vietnam. You should refer to expertise before making decision.